

Message Text

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PAGE 01 STATE 010103
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY AF/W-EWLOLLIS:DFP

APPROVED BY AF-DBOLEN

D-RPOATS

EB/ORF/FSE- JRAICHT

S/S- MR. BRIDGES

-----151644Z 056638 /65

R 151620Z JAN 77

FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

C O N F I D E N T I A L STATE 010103

EXDIS

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: STRATEGIC PETROLEUM RESERVE

REF: A) STATE 313626; B) LAGOS 0272

1. DEPARTMENT IS NOT RPT NOT INTERESTED IN RENEWING
PROPOSAL TO PURCHASE CRUDE OIL FOR STRATEGIC PETROLEUM
RESERVE DIRECTLY FROM FMG. AT YOUR DISCRETION, YOU
SHOULD CONVEY ALL INFORMATION CONTAINED PARA 3 REF A TO DEP
DIRECTOR MEA ECONOMIC DEPARTMENT (ANI), ASSISTANT
DIRECTOR MPR DEPARTMENT OF PETROLEUM RESOURCES (OKANLA),
OR OTHER FMG OFFICIALS WITH WHOM THIS MATTER HAS BEEN
DISCUSSED. ESSENTIAL POINT IS THAT FEA DECIDED AFTER
NOVEMBER 24 (WHEN DEPARTMENT CONVOKED NIGERIAN CHARGE)
AND BEFORE DECEMBER 15 (WHEN FEA SUBMITTED SPR PLAN TO
CONGRESS) TO RECOMMEND PROCUREMENT CRITERIA WHICH WOULD
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TAKE ADVANTAGE OF PURCHASES THROUGH US OIL COMPANIES
AT CONTROLLED PRICES AND ALMOST CERTAINLY PRECLUDE USG
PURCHASES FROM FOREIGN GOVERNMENTS.

2. YOU MAY POINT OUT TO FMG THAT THE SPR PLAN RPT PLAN IS
GENERALLY WELL KNOWN TO PETROLEUM INDUSTRY. IT CONTAINS
TWO ALTERNATIVE METHODS FOR PROCURING SPR OIL: MINIMIZING

ECONOMIC COST TO US ECONOMY OR MINIMIZING FISCAL (ACTUAL)

COST TO USG. MINIMUM ECONOMIC COST ALTERNATIVE IS REJECTED, AND MINIMUM FISCAL COST ALTERNATIVE RECOMMENDED TO CONGRESS. UNDER THIS ALTERNATIVE, FEA WOULD SAVE APPROXIMATELY ONE DOLLAR PER BARREL BY NOT HAVING TO USE US-FLAG SHIPS EXCLUSIVELY. ADDITIONAL DOLLARS 2.50 OR SO WOULD BE SAVED BY BUYING FROM US OIL COMPANY WHICH WOULD SUPPLY IMPORTED CRUDE AT AVERAGE PRICE OF FOREIGN AND DOMESTIC PRICE-CONTROLLED CRUDE.

3. FMG AND/OR NNOC COULD, IF THEY WISHED, MAKE OFFER FOR DIRECT SALE TO FEA, BUT THEY WOULD HAVE TO MAKE HUGE OFFSETTING DISCOUNT TO BE COMPETITIVE. MORE REALISTICALLY, THEY COULD ARRANGE TO SUPPLY NIGERIAN GOVERNMENT OIL THROUGH THE AGENCY OF A US OIL COMPANY WHICH WOULD OFFER OIL TO FEA AT PRICE MADE LOWER BY APPLICATION OF US CONTROLS.

4. REMEMBER THAT FEA PLAN IS SUBJECT TO CONGRESSIONAL APPROVAL AND COULD CHANGE BEFORE GOING INTO EFFECT. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, GOVERNMENT PROCUREMENT, PETROLEUM RESERVES, PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jan-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE010103
Document Source: CORE
Document Unique ID: 00
Drafter: EWLOLLIS:DFF
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770016-0353
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770148/aaaabpls.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 59e1f2d8-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 STATE 313626, 77 LAGOS 272
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3586730
Secure: OPEN
Status: NATIVE
Subject: STRATEGIC PETROLEUM RESERVE
TAGS: ENRG, NI, US
To: LAGOS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/59e1f2d8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009